UNIVERSITY OF
REGINA

University of Regina Master Trust

Financial Statements

For the Year Ended December 31, 2006

Provincial Auditor Saskatchewan

SASKATCHEWAN

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AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets of the University of Regina Master Trust as at December 31, 2006 and the statement of operations and changes in net assets for the year then ended. The University of Regina Master Trust's management is responsible for preparing these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets of the Trust as at December 31, 2006 and the changes in the net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 25, 2007

Fred Wendel, CMA, CA
Provincial Auditor

University of Regina Master Trust
Statement of Net Assets
As at December 31

	2006	2005
Assets		
Investments (Notes 1(a), 4 & 7):		
Short-term investments	$ 10,488,270	$ 3,489,006
Bonds and debentures	108,301,690	115,502,391
Equities	190,846,850	173,965,547
Mortgages	9,149,053	8,681,282
Real estate	20,131,595	11,524,534
	338,917,458	313,162,760
Investment income receivable	907,834	891,432
Cash	29,237	28,233
	$ 339,854,529	$ 314,082,425
Liabilities	-	-
Net Assets (Statement 2)	$ 339,854,529	$ 314,082,425
Unitholders' Equity (Note 3)		
Academic & Administrative Employees' Pension Plan	$ 268,925,383	$ 250,572,146
Non-Academic Pension Plan	70,929,146	63,510,279
	$ 339,854,529	$ 314,082,425
Net Asset Value Per Unit	$ 27.45	$ 24.11

Approved by the Board of Governors

M Bowden

Chair, Board of Governors

Vice President (Administration)

University of Regina Master Trust
Statement of Operations and Changes in Net Assets
For the Year Ended December 31

	2006	2005
Investment Income		
Interest	$ 6,908,285	$ 6,763,788
Dividends	5,348,767	3,527,771
Real estate	1,147,663	1,076,107
Net realized gain on sale of investments (Note 5)	8,112,437	8,673,769
Net unrealized appreciation of investments	20,248,580	6,363,023
	41,765,732	26,404,458
Expense		
Trustee fees	3,217	6,666
Net income	41,762,515	26,397,792
Value of Master Trust units issued (Note 2c and Note 3)	20,421	6,617
Payments on redemption of Master Trust units (Note 2c and Note 3)	(16,010,832)	(11,896,974)
Increase in Net Assets	25,772,104	14,507,435
Net Assets, Beginning of Year	314,082,425	299,574,990
Net Assets, End of Year (to Statement 1)	$ 339,854,529	$ 314,082,425

1. Summary of Significant Accounting Policies

On November 30, 1995, the University of Regina entered into an agreement with a trustee. This agreement creates a single common fund, called the Master Trust.

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

a) Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers. In the absence of recorded sales, reference is made to closing year end bid and ask prices.

Short-term investments are recorded at cost which approximates market value.

Investments in real estate are recorded at market value.

Investments in mortgages are recorded at their net present value by discounting stated rates of return to current market rates of return.

Pooled funds are recorded based on the net asset value per unit of the underlying investments on the last valuation date.

The change in the market value of investments during the year is reflected on statement 2 as unrealized appreciation.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investment transactions and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in market value of investments.

b) Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value.

2. Master Trust Administration

Under the Master Trust Agreement, the trustee agrees to hold, invest, administer and distribute the assets of the Master Trust in accordance with the provisions of this agreement.

The functions of custody and execution of investment transactions for the Master Trust have been segregated. The University of Regina has appointed several investment managers to provide investment instructions to the trustee. Under the agreement with the trustee, the trustee maintains custody of the Master Trust assets, but may only invest the Master Trust assets as authorized by the investment managers.

Description of the Master Trust

The following description of the Master Trust is a summary only. The Master Trust is a segregated pooled fund. For more information, reference should be made to the Master Trust Agreement.

a) General

On December 1, 1995, the investment portfolios of the University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans were combined into a Master Trust to improve investing opportunities. Each plan holds units in the Master Trust rather than holding individual assets.

b) Initial Allocation of Units

Upon the establishment of the Master Trust, the trustee divided the Master Trust into original units with a value of $10 each. The University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans received units of the Master Trust based on this original unit value in proportion to the market value at December 1, 1995, of the assets transferred into the Master Trust on this date.

c) Issuance and Redemption of Units

The Master Trust issues additional units to the Pension Plans when assets are transferred from the Plans, or at month end when net income is distributed to the Plans. Units are distributed on the last business day of the trustee's head office in the month or any other day as the trustee in its sole discretion may determine.

Units in the Master Trust are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the underlying investments divided by the total number of units outstanding.

Units of the Master Trust may be redeemed by a pension plan at the net asset value per unit.

3. Unitholders' Equity

The number of units issued and redeemed during the year were as follows:

	2006	2005
Balance, beginning of year	13,027,538.769	13,541,630.370
Issued during the year	817.943	296.651
Redeemed during the year	(647,314.236)	(514,388.252)
Balance, end of year	12,381,042.476	13,027,538.769

The number of units held by participating pension plans at the end of the year were as follows:

	2006	2005
Academic & Administrative Employees	9,797,063.963	10,393,253.651
Non-Academic	2,583,978.401	2,634,285.006
Balance, end of year	12,381,042.364	13,027,538.657

4. Investments

Based on the investment objectives set by the participating pension plans, the Master Trust invests cash flows from the pension plans, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities and bonds, and foreign pooled funds.

a) Interest Rate Risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Master Trust's cash flows, financial position and income. This risk arises from short-term changes in nominal interest rates that cause differences in the timing and amount of cash flows related to the investments. Interest rate risk is managed by investing in fixed income investments of various durations.

b) Market Risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The plans' policies are to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Goals.

c) Credit Risk:

Credit risk arises from the potential for an investee to fail or for a counterparty (e.g. mortgager) to default on its contractual obligations to the Master Trust. The Master Trust limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the investments below are based on the Dominion Bond Rating Service and/or the Standard and Poor's Bond Rating Service.

d) Foreign Currency Risk:

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against the foreign currencies results in a positive or negative effect on the fair value of investments. The Plan manages the foreign currency risk by limiting its holdings of foreign investments to 46% of the book value of the entire investment portfolio.

Short-Term Investments

These investments are comprised of a mutual fund that holds investments mainly in corporate bonds and debentures with effective interest rates of 4.1203% to 4.4090% (2005- 3.1610% to 3.7400%). The investment policies of the participating pension plans state that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service.

Bonds and Debentures

The investment policies of the participating pension plans state that the minimum quality standard for individual bonds and debentures is 'B' as rated by a recognized bond rating agency at the time of purchase.

	2006						2005		
Years to Maturity	Federal	Provincial	Pooled Funds	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	$ 18,184,650	$ -	$ 47,670,038	$ 65,854,688	4.0196%-6.0248%	3.550%-4.650%	$ 66,457,807	3.570%-4.040%	2.750%-4.650%
5 - 10	5,714,629	6,414,998	-	12,129,627	4.0768%-4.4349%	4.00%-5.250%	16,856,408	3.950%-4.410%	4.050%-5.250%
Over 10	12,392,285	17,925,090	-	30,317,375	4.103%-4.7049%	4.000%-8.500%	32,188,176	4.090%-4.740%	6.000%-8.500%
Market Value	$ 36,291,564	$ 24,340,088	$ 47,670,038	$ 108,301,690			$ 115,502,391		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

	Market Value	
	2006	2005
Common Shares – Canadian	$ 48,952,692	$ 61,059,082
Common Shares – Foreign	141,894,158	112,906,465
	$190,846,850	$173,965,547

The investment policies allow no one holding to represent more than 10% of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. The investment policies also state that investment in a pooled fund should not exceed 10% of the market value of that fund.

e) Fair Values:

Market value approximates fair value.

5. Net Realized Gain on Sale of Assets

	2006	2005
Proceeds from sale of investments	$ 265,090,400	$ 319,414,330
Cost of investments sold:		
Investments at cost, beginning of period	275,436,949	267,512,437
Cost of investments purchased	262,484,083	318,665,073
	537,921,032	586,177,510
Investments at cost, end of period	(280,943,069)	(275,436,949)
	256,977,963	310,740,561
Net realized gain on sale of investments	$ 8,112,437	$ 8,673,769

6. Related Parties

The Master Trust is related to the University of Regina and the pension plans sponsored by the University.

All administrative expenses of the Master Trust are paid by the two major participating pension plans.

7. Investment Performance

The University has retained Phillips, Hager & North Ltd. as investment manager of the bulk of the investments. The University also contracts with Templeton Management, Bentall Investment Management and Barclay's Global Investors as investment managers of specific types of investments.

These investment managers make the day-to-day decision of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the joint Academic and Administrative and Non-Academic Benefits Committee. It is these long-term investment performance objectives that are used to assess the performance of the investment managers.

The primary long-term investment performance objective for the entire Master Trust portfolio is to out-perform a benchmark portfolio with weightings as follows:

Asset Class	Representative Index	Weight
Canadian equities	S&P/TSX Composite Index	18 %
U.S. equities	S&P 500 Index ($C)	9
U.S. equities	S & P 500 Index - Hedged	9
Non-North American equities	MSCI EAFE Index ($C)	18
Real Estate	Investment Property Databank	6
Bonds	SC Universe Bond Index	37
Short-term investments	91 – day T-Bills	3
		100 %

The University engages the services of Hewitt Associates, asset management consultants, to provide advice on the overall management of the Master Trust's investments and on the measurement of the Trust's performance. Hewitt Associates reports to the joint Academic and Administrative and Non-Academic Benefits Committee quarterly on the investment performance against benchmarks over moving four-year periods.

The one year investment objective (the return of the benchmark portfolio) was 12.5% (2005 – 9.8%). For the year ending December 31, 2006, the Master Trust had a gross rate of return of 13.8% (2005 – 9.0%). For the four years ending December 31, 2006, the Master Trust had a gross rate of return of 11.5% (2005 – 6.1%) and benchmark return of 10.8% (2005 – 5.9%).